

Message Text

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E.O. 11652: GDS

TAGS: MASS, JO, US

SUBJ: PRIME MINISTER DISCUSSES PRICE INCREASE ON MORTAR CARRIERS

REF: AMMAN MAP 1446

1. PRIME MINISTER ASKED ME FOR URGENT MEETING TODAY IN WHICH HE SAID KING JUST PRIOR TO HIS DEPARTURE THIS MORNING FOR IRAN ASKED THAT ABOVE SUBJECT BE RAISED WITH ME PERSONALLY. KING WAS APPARENTLY INCENSED BY THE NEARLY 60 PERCENT INCREASE IN PRICE OF NINETY-SEVEN MORTAR CARRIERS ON CURRENT FMS CASE (PARA 4 REFTEL. HE FELT THAT CLOSE POLITICAL TIES AND CONTRACTUAL RELATIONSHIPS WITH US IN PAST WENT FOR NOTHING IF SUCH ACTIONS CONTINUED TO TAKE PLACE IN FUTURE.

2. BACKGROUND AS WE UNDERSTAND IT HERE IS AS FOLLOWS. YESTERDAY DEFENSE ATTACHE RECEIVED TELEPHONE CALL FROM ARMY MATERIEL COMMAND INDICATING PRICE INCREASE HAD TAKEN PLACE FOR M-125A1 MC FROM \$54 THOUSAND EACH TO \$85 THOUSAND EACH. JAF INFORMED IN NORMAL COURSE OF EVENTS SINCE AMC WISHED TO HAVE IMMEDIATE RESPONSE ON WHETHER JORDAN WISHED: (1) TO CANCEL OR BUY; (2) REDUCE NUMBER OF CARRIERS ORDERED; OR (3) PAY INCREASED PRICE

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ASKED.

3. JORDANIAN CHIEF OF STAFF REACTED NEGATIVELY TO INCREASE AS MIGHT BE EXPECTED. KING'S PERSONNAL ATTENTION WAS CALLED TO THIS INCREASE AND OBVIOUS IMPACT WHICH IT HAS ON OUR TOTAL RELATIONSHIP HERE.

4. SEVERAL QUESTIONS ARISE WHICH SHOULD BE IMMEDIATELY ADDRESSED. PRIME MINISTER SAYS JORDAN CAN'T UNDERSTAND WHY US SHOULD TREAT CLOSE FRIEND IN THIS FASHION. HE POINTED OUT THAT THIS KIND OF HIGH-HANDED ACTION IN RESPECT OF SALES IS WHAT GOT SOVIETS IN DEEP TROUBLES WITH EGYPTIANS AND SYRIANS. I HEARTILY CONCUR IN THAT ASSESSMENT.

5. I WOULD LIKE TO KNOW FOR RECORD AT LEAST IF THE US ARMY ITSELF HAS SIGNED A CONTRACT WHICH PERMITS SUCH UNCONTROLLED ESCALATION OF COSTS DURING THE COURSE OF THE BUY. OUR UNDERSTANDING FROM HISTORY OF THIS PARTICULAR EFFORT IS THAT JORDANIANS WERE OFFERED AN OPPORTUNITY TO GET IN ON GROUND FLOOR ON LONG-TERM WORLDWIDE BUY OF APCS AND MCS. AT LEAST ONE PRICE ESCALATION TOOK PLACE PRIOR TO COMPLETION OF FIRM CONTRACT AND JORDANIANS WERE OF COURSE DISTURBED AT THAT. IT APPEARS TO THEM WITHOUT ADEQUATE BACKGROUND KNOWLEDGE, THAT SUCH INORDINATELY LARGE PRICE INCREASE ON FMS SALES CASE MUST INVOLVE SOME SORT OF RECOUPMENT FOR PAST LOSS OR SUBSIDIZATION OF US ARMY BUY.

6. THIS CASE IS PARTICULARLY DELICATE FOR THEM SINCE ABU DHABI IS FUNDING THE BILL AND THEY HAVE BEEN BACK TO ABU DHABI ONCE ALREADY TO COVER COST INCREASES AND CANNOT GO BACK A SECOND TIME.

7. I CONSIDER THIS ISSUE IMPORTANT ENOUGH TO ATTEMPT TO HAVE IT RESOLVED ALONG WITH TWO OTHERS IN REFTEL BEFORE PRIME MINISTER AND POSSIBLY KING'S UPCOMING VISITS TO US. I CONTINUE TO BE AMAZED AT OUR ABILITY TO CANCEL OUT AT ONE STROKE THE KIND OF POLITICAL GOOD WILL WHICH WE HAVE BUILT UP WITH LARGE GRANT PROGRAMS AND RECENT HIGH-LEVEL VISITS BY UNCOORDINATED ACTIONS OF THIS TYPE.

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8. IT WOULD BE USEFUL IN FUTURE IF EACH FMS PRICE INCREASE ON MAJOR ITEMS WERE PROVIDED TO THIS MISSION IN TELEGRAPHIC FORM WITH SUFFICIENT EXPLANATION TO JUSTIFY SUCH TO BUYERS. TELEPHONIC COMMUNICATIONS WHEREVER THEY ORIGINATE JUST DO NOT FILL THE BILL, AND I WOULD BE MUCH MORE COMFORTABLE KNOWING THAT DSAA, ISA AND STATE ALL CONCURRED IN PASSING ALONG SUCH NEWS AND WE HAD MORE TIME HERE TO REFLECT UPON CONSEQUENCES.

9. BE GRATEFUL FOR EARLY REPLY ON REFTEL IN VIEW OF KING'S
PERSONAL INTEREST IN THESE PROJECTS. PICKERING

NOTE BY OC/T: NOT PASSED SECDEF

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